

9317
REGORDATION NO. Filed & Recorded

APR 10 1978 -2 25 PM

INTERSTATE COMMERCE COMMISSION

TRANSMITTAL LETTER

March 24, 1978

Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D. C. 20423

Attention: Railroad Documentation

Gentlemen:

Pursuant to the provisions of Chapter X of the Regulations of the Interstate Commerce Commission, 49 C.F.R. Section 1116.4, this letter is submitted.

The transaction is described generally as follows:

Mortgagor (Debtor):	McDonough Brothers, Incorporated Route 2, P. O. Box 222 San Antonio, Texas 78229
Mortgagee (Secured Party):	University National Bank P. O. Box 29777 Babcock at 1604 San Antonio, Texas 78229
Guarantor:	None

General description of the railroad equipment:

50 rebuilt 70 ton roller bearing covered
hopper railroad cars, A.A.R. mechanical
designation L151, bearing the following
identifying marks and car numbers:

MCDX 1000 through MCDX 1049 (inclusive).

Owner: McDonough Brothers, Incorporated.

Enclosed are three executed counterparts of the security agreement as required by ICC Rules and a check for \$50.00 to cover the filing fee.


The original document should be returned to our counsel, Messrs. Butler, Binion, Rice, Cook & Knapp, 1100 Esperson Building, Houston, Texas, 77002, in the enclosed envelope.

Please call the undersigned collect if you have any questions regarding this matter.

Yours very truly,

UNIVERSITY NATIONAL BANK

By


David J. Smiser, President

Interstate Commerce Commission
Washington, D.C. 20423

4/12/78

OFFICE OF THE SECRETARY

Michael W. Hilliard
Butler, Binion, Rice, Cook & Knapp
Esperson Building
Houston, Texas 77002

Dear Sir:

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,

49 U.S.C. 20(c), on 4/10/78 at 2:05pm

and assigned recordation number(s) 9517

Sincerely yours,

H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

SE-30-T
(6/77)

BUTLER, BINION, RICE, COOK & KNAPP

ATTORNEYS AT LAW
ESPERSON BUILDINGS

HOUSTON, TEXAS 77002

TELEPHONE: 713/237-3111

TELEX 775532--TWX 8813628

CABLE: LERION

818 CONNECTICUT AVENUE, N. W.
WASHINGTON, D. C. 20006
TELEPHONE: 202/466-6900

OF COUNSEL
LUIS J. CREEL, JR.
MEXICO CITY

April 4, 1978

8-100A120
Date APR 10 1978
Fee \$ 50

REGISTERED MAIL

9317
RECORDATION NO. Filed & Recorded ICC Washington, D. C.

Interstate Commerce Commission APR 10 1978 -2 05 PM
12th and Constitution Avenue, N.W.
Washington, D. C. 20423
INTERSTATE COMMERCE COMMISSION

Attention: Railroad Documentation

Gentlemen:

Enclosed herewith is an original transmittal letter executed by our client, University National Bank, describing the matters prescribed in Section 1116.4 of Chapter X of the Regulations of the Interstate Commerce Commission together with three original executed security agreements covering 50 covered hopper railroad cars more particularly described therein. Also enclosed is a stamped self-addressed envelope to return a filed copy of the security agreement to the undersigned.

If you have any questions regarding this matter, please call me collect at (713) 237-3629. Thank you very much for your assistance and cooperation.

Yours very truly,

BUTLER, BINION, RICE, COOK & KNAPP

Michael W. Hilliard

Michael W. Hilliard

MWH/kt

Enclosures

cc: Mr. David J. Smiser
President
University National Bank

Mr. Brent Standefer
Assistant Vice President
Allied Bank of Texas

RECEIVED
APR 10 1 55 PM '78
CERTIFICATION UNIT

UNIVERSITY NATIONAL BANK

APR 10 1978 -2 25 PM

SECURITY AGREEMENT

~~UNIVERSITY~~ STATE COMMERCE COMMISSION

MCDONOUGH BROTHERS, INCORPORATED (hereinafter called "Debtor"), a Texas corporation acting by and through its duly authorized officers, whose business and mailing address is Route 2, P. O. Box 222, San Antonio, Bexar County, Texas 78229, for value received, the receipt and sufficiency of which are hereby acknowledged, hereby grants to University State Bank (hereinafter called "Secured Party"), P. O. Box 29777, San Antonio, Bexar County, Texas 78229, the security interest and lien hereinafter set forth and agrees with Secured Party as follows:

I.

SECURITY INTEREST

Debtor hereby grants to Secured Party a security interest in and lien upon and agrees that Secured Party has and shall continue to have a security interest in and lien upon the following property (all of such property hereinafter sometimes called "Collateral"), to-wit: 50 rebuilt 70 ton roller bearing covered hopper railroad cars, A.A.R. mechanical designation L 151, bearing identifying marks and car serial numbers MCDX 1000 through MCDX 1049 (inclusive), together with any and all additions, accessions, and attachments thereto and substitutions therefor, all proceeds (hereinafter defined) thereof and therefrom, and all monies, income, benefits and products thereof attributable, or accruing thereto. The term "proceeds" shall have the same meaning as used Chapter 9 of the Uniform Commercial Code as now or hereafter adopted in the State of Texas and shall include (without limitation) all accounts, general intangibles, instruments, documents, monies, securities, insurance, chattel paper, income, and other property, benefits or rights of whatever kind or nature arising from, attributable to or accruing from any and all sales, leases or other dispositions of any or all of the Collateral.

The security interest and lien granted hereby is to secure the payment of (i) that certain promissory note in the original principal sum of \$700,000.00, together with any and all extensions, rearrangements and renewals thereof, executed by or in behalf of Debtor and payable to the order of Secured Party in the manner therein provided; and (ii) any and all other indebtedness and liabilities whatsoever of the Debtor to Secured Party, whether direct or indirect, absolute or contingent, due or to become due, whether now existing or hereafter arising and howsoever evidenced or acquired, and whether joint or several (all of which are hereinafter sometimes called the "Obligations"). DEBTOR ACKNOWLEDGES THAT THE SECURITY INTEREST AND LIEN HEREBY GRANTED SHALL SECURE ALL FUTURE ADVANCES AS WELL AS ANY AND ALL OTHER OBLIGATIONS AND LIABILITIES OF DEBTOR TO SECURED PARTY WHETHER NOW IN EXISTENCE OR HEREAFTER ARISING.

II.

REPRESENTATIONS, WARRANTIES AND COVENANTS OF DEBTOR

(a) Except for the security interest and lien granted hereby, the Debtor is, and as to the Collateral acquired after the date hereof which is included within the security interest and lien specified in Section I hereof, Debtor will be, the owner of all such Collateral free from any and all adverse claims, security interests or encumbrances.

(b) There is no financing statement or other document constituting notice of a security interest in or lien upon the Collateral now on file in any public office covering any part of the Collateral, and so long as any amount remains unpaid on any Obligations of the Debtor to Secured Party, Debtor will not execute and there will not be on file in any public office any such financing statement or statements or other document constituting notice of a security interest in or lien upon the Collateral except the financing statement and other documents filed or to be filed in respect to the security interest hereby granted.

(c) Subject to any limitation stated therein or in connection therewith, all information furnished to Secured Party concerning the Collateral and proceeds thereof, or otherwise, for the purpose of obtaining credit or an extension of credit, is, or will be at the time the same is furnished, accurate and correct in all material respects.

(d) The Collateral will be used by the Debtor primarily for business use. Secured Party's security interest in the Collateral is a purchase money security interest.

(e) The Collateral is equipment to be used primarily in Debtor's business and is of the type normally used in more than one jurisdiction.

(f) The chief executive office of Debtor is at the address designated at the beginning of this agreement.

(g) Debtor is not a "common carrier", "carrier", or "railroad" as such terms are defined in the Interstate Commerce Act, as amended, and no authorization, consent or permission of, or declaration or filing with, any governmental authority is required for the valid execution and delivery of the Obligations and this agreement or the performance by the Debtor of its obligations thereunder or hereunder.

III.

OTHER COVENANTS AND AGREEMENTS OF DEBTOR

(a) Debtor shall immediately notify Secured Party of any event causing material loss or depreciation in value of the Collateral and the amount of such loss or depreciation.

(b) Debtor will promptly notify Secured Party in writing of any addition to, change in or discontinuance of its place of business as shown in this agreement and the location of the office where it keeps its books and records.

(c) Debtor will not sell, lease or otherwise dispose of the Collateral, or any part thereof, without the express written consent of Secured Party.

(d) Debtor agrees to execute and deliver such financing statement or statements and other documents, or amendments thereof or supplements thereto, or other instruments as Secured Party may from time to time require in order to comply with the Uniform Commercial Code as now or hereafter adopted in the State of Texas (or other applicable state law of the jurisdiction where any of the Collateral is located) and the laws of the United States of America and to preserve and protect the security interest and lien herein granted.

(e) Secured Party may, at its option, either before or after default, but without obligation to the Debtor, discharge taxes, liens or security interests or other encumbrances at any time levied or placed upon the Collateral, and may place and pay for insurance thereon, or pay for the repair, improvement, maintenance and preservation of the Collateral and pay any filing or recording fees necessary to preserve and protect the Secured Party's interest pursuant to the foregoing authorization, and all such amounts shall constitute additional Obligations of the Debtor which shall be secured by and entitled to the benefits of this Security Agreement.

(f) Debtor shall at all reasonable times allow Secured Party by or through any of its officers, agents, attorneys or accountants, to examine or inspect the Collateral wherever located. Debtor shall do, make, execute and deliver all such additional and further acts, things, deeds, insurances, instruments as Secured Party may require to more completely vest in and assure to Secured Party its rights hereunder and in or to the Collateral.

(g) Debtor shall have and maintain insurance at all times with respect to all tangible Collateral covered hereby insuring against risks of fire (including so-called extended coverage), theft and other risks as

Secured Party may require reasonably, containing such terms, in such form and amounts and written by such companies as may be reasonably satisfactory to Secured Party, all of such insurance to contain loss payable clauses in favor of Secured Party as its interest may appear. All policies of insurance shall provide for ten (10) days written minimum cancellation notice to Secured Party and, at request of Secured Party, shall be delivered to and held by it. Secured Party is hereby authorized to act as attorney for Debtor in obtaining, adjusting, settling and cancelling such insurance and endorsing any drafts or instruments. Secured Party shall be authorized to apply the proceeds from any insurance to the Obligations secured hereby whether or not such Obligations are then due and payable.

(h) Debtor will keep and maintain the Collateral in good condition and will make replacements in kind, or by parts of substantially equal value and service, and all replacements and substitutions shall be covered by the security interest and lien herein granted to Secured Party, and Debtor will maintain such Collateral at its present worth, ordinary wear and tear alone excepted.

(i) Debtor agrees that Secured Party shall have no duty or obligation to take any action to preserve or protect the Collateral.

IV.

DEFAULT AND REMEDIES

(a) Debtor shall be in default under this Security Agreement upon the happening of any of the following events or conditions (herein sometimes called an "Event of Default"): (i) failure of Debtor to pay when due any interest on or any principal or installment of principal of any of the Obligations of Debtor to Secured Party; (ii) the occurrence of any event which under the terms of any evidence of indebtedness, indenture, loan agreement, security agreement or similar instrument permits the acceleration of maturity of any indebtedness of Debtor to Secured Party or to others than Secured Party; (iii) any representation or warranty made by Debtor herein or made in any statement or certificate furnished to Secured Party by the Debtor pursuant hereto or in connection with any loan or loans proves incorrect in any material respect as of the date of the making or issuance thereof; (iv) default occurs in the observance or performance by Debtor of any provision of this agreement or of any note, assignment or other document executed pursuant hereto, contemplated hereby, or described herein; or (v) the dissolution, termination of existence, insolvency or business failure of the Debtor, or the application for the appointment of a receiver of any part of the property of the Debtor, or the commencement by or against the Debtor of any proceeding under any bankruptcy, arrangement, reorganization, insolvency or similar law for the relief of debtors, or by or against any guarantor or surety

for the Debtor, or upon the service of any warrant, attachment, levy or similar process in relation to a judgment, tax lien or assessment.

(b) Upon the occurrence of an Event of Default, and at any time thereafter, Secured Party, may, at its option and without notice or demand to the Debtor, declare all of the Obligations secured hereby immediately due and payable and Secured Party thereupon shall have the rights and remedies granted herein as well as all the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of Texas, including, without limitation, the right to sell, lease or otherwise dispose of any or all of the Collateral and to apply the proceeds thereof toward payment of any costs and expenses and attorney's fees and legal expenses thereby incurred by the Secured Party and toward payment of the Obligations in such order or manner as the Secured Party may elect. Secured Party shall have the right to take immediate possession of the Collateral, with or without process of law, and for that purpose Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will send Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any public sale or other disposition thereof is to be made. The requirement of sending a reasonable notice shall be met if such notice is mailed, postage prepaid, to Debtor at the address designated at the beginning of this agreement at least ten days before the time of any public sale or the time after which any private sale or other disposition will be held. Expenses of retaking, holding, repairing, improving, maintaining, preparing for sale, selling or the like shall include Secured Party's reasonable attorneys' fees and legal expenses, plus interest thereon until paid at a rate per annum at all times equal to the highest rate permitted by applicable law of the State of Texas to be contracted for by, charged to or received from Debtor, and shall constitute additional Obligations of Debtor which shall be due on demand and which shall be secured by and entitled to the benefits of this Security Agreement. If the proceeds of any sale or other lawful disposition by Secured Party of the Collateral following its retaking are insufficient to pay the expenses of retaking, repairing, holding, preparing the Collateral for sale, selling it and the like and satisfy the Obligations of Debtor to Secured Party, then Debtor agrees to pay any deficiency, but Debtor shall be entitled to any surplus remaining after lawful application of all of such proceeds.

(c) Secured Party may remedy any default and may waive any default without waiving the default remedied or without waiving any other prior or subsequent default.

(d) It is the intention of the partes hereto to comply with the usury laws of the State of Texas; accordingly, it is agreed that notwithstanding any provisions to the contrary in this agreement, or in any of the documents evidencing the Obligations secured hereby or otherwise relating hereto, in no event shall this agreement or such documents require the payment or permit the collection of interest in excess of the maximum amount permitted by such laws. If any such excess of interest otherwise would be contracted for, charged or received, under this agreement or under the terms of any of the documents evidencing the Obligations secured hereby or otherwise relating hereto, or in the event the maturity of the indebtedness evidenced by the Obligations is accelerated in whole or in part, or in the event that all or part of the principal or interest of the Obligations shall be prepaid, so that under any of such circumstances the amount of interest contracted for, charged or received under this agreement or under any of the instruments evidencing the Obligations secured hereby or otherwise relating hereto on the amount of principal actually outstanding from time to time under the Obligations otherwise would exceed the maximum amount of interest permitted by the usury laws of the State of Texas, then in any such event (a) the provisions of this paragraph shall govern and control, (b) neither the Debtor nor any other person or entity now or hereafter liable for the payment of the Obligations would be obligated to pay the amount of such interest to the extent that it would be in excess of the maximum amount of interest permitted by the usury laws of the State of Texas, (c) any such excess which might have been collected would be either applied as a credit against the then unpaid principal amount hereof or refunded to Debtor, at the holder's option, and (d) the effective rate of interest would be reduced automatically to the maximum lawful rate allowed to be contracted for by, charged to or received from such person under the usury laws of the State of Texas as now or hereafter construed by the courts having jurisdiction thereof. It is further agreed that without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received under this agreement or under such other documents which are made for the purpose of determining whether such rate would exceed the maximum lawful rate, shall be made, to the extent permitted by the laws of the State of Texas, by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan or loan evidenced by the Obligations, hereby, all interest at any time contracted for, charged or received from Debtor or otherwise by the Secured Party in connection with such loan or loans.

(e) The remedies of Secured Party hereunder are cumulative, and the exercise of any one or more of the remedies provided herein shall not be construed as a waiver of any of the other remedies of Secured Party.

V.

GENERAL

(a) Any provision hereof found to be invalid under the law of the State of Texas, the United States of America or any other state having jurisdiction shall be invalid only with respect to the offending provision. This agreement shall be binding upon the successors and assigns of the parties hereto, but shall inure to the benefit of successors or assigns of the Secured Party only. The laws of the State of Texas shall apply to this agreement and its construction and interpretation.

(b) Any carbon, photographic or other reproduction of any financing statement signed by Debtor is sufficient as a financing statement for all purposes, including, without limitation, filing in any state pursuant to the provisions of the Uniform Commercial Code.

(c) Debtor agrees to pay in full all reasonable expenses, including reasonable legal expenses and attorneys' fees, of the Secured Party have been or may be incurred by the Secured Party in connection with the preparation of this agreement, the Obligations secured hereby, the collection of any of the Obligations secured hereby, the enforcement of any of Debtor's obligations hereunder and under any document executed in connection with the granting of security for the payment of any of the Obligations secured hereby, and the recording and filing and re-recording and re-filing of any such document.

(d) The security interest hereby granted and all the terms and provisions hereof shall be deemed a continuing security agreement and shall continue in full force and effect, and all the terms and provisions hereof shall remain effective as between the parties, until first to occur of the following: (i) the expiration of four (4) years from the date of payment of the last of the Obligations to Secured Party; or (ii) repayment by Debtor of all Obligations secured hereby and the giving by Debtor of ten (10) days written notice of revocation of the terms and provisions hereof.

SIGNED in multiple original counterparts and delivered on March 23rd, 1978.

McDONOUGH BROTHERS, INCORPORATED

ATTEST:

By

Title:

"Debtor"

Secretary

UNIVERSITY NATIONAL BANK

By *David J. Smiser*
David J. Smiser, President

"Secured Party"

THE STATE OF TEXAS §
§
COUNTY OF BEXAR §

BEFORE ME, the undersigned authority, on this day personally appeared
G. W. Worth, Jr., Vice Pres. of McDONOUGH BROTHERS,
INCORPORATED, known to me to be the person and officer whose name is
subscribed to the foregoing instrument and acknowledged to me that the
same was the act of the said McDONOUGH BROTHERS, INCORPORATED, a Texas
corporation, and that he executed the same as the act of said corporation
for the purposes and consideration therein expressed, and in the capacity
therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 23rd day of March,
1978.

Shirley Dosser

Notary Public in and for
Bexar County, Texas

SHIRLEY DOSSER
Notary Public, Bexar County, Texas

THE STATE OF TEXAS §
§
COUNTY OF BEXAR §

BEFORE ME, the undersigned authority, on this day personally appeared
DAVID J. SMISER, President of UNIVERSITY NATIONAL BANK, known to me to be the
person and officer whose name is subscribed to the foregoing instrument and
acknowledged to me that the same was the act of the said UNIVERSITY NATIONAL
BANK, a national banking association, and that he executed the same as the act
of said national banking association for the purposes and consideration therein
expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 23rd day of March,
1978.

Shirley Dosser

Notary Public in and for
Bexar County, Texas

SHIRLEY DOSSER
Notary Public, Bexar County, Texas

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UNIVERSITY NATIONAL BANK

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

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The security interest and lien granted hereby is to secure the payment of (i) that certain promissory note in the original principal sum of \$700,000.00, together with any and all extensions, rearrangements and renewals thereof, executed by or in behalf of Debtor and payable to the order of Secured Party in the manner therein provided; and (ii) any and all other indebtedness and liabilities whatsoever of the Debtor to Secured Party, whether direct or indirect, absolute or contingent, due or to become due, whether now existing or hereafter arising and howsoever evidenced or acquired, and whether joint or several (all of which are hereinafter sometimes called the "Obligations"). DEBTOR ACKNOWLEDGES THAT THE SECURITY INTEREST AND LIEN HEREBY GRANTED SHALL SECURE ALL FUTURE ADVANCES AS WELL AS ANY AND ALL OTHER OBLIGATIONS AND LIABILITIES OF DEBTOR TO SECURED PARTY WHETHER NOW IN EXISTENCE OR HEREAFTER ARISING.

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REPRESENTATIONS, WARRANTIES AND COVENANTS OF DEBTOR

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(b) There is no financing statement or other document constituting notice of a security interest in or lien upon the Collateral now on file in any public office covering any part of the Collateral, and so long as any amount remains unpaid on any Obligations of the Debtor to Secured Party, Debtor will not execute and there will not be on file in any public office any such financing statement or statements or other document constituting notice of a security interest in or lien upon the Collateral except the financing statement and other documents filed or to be filed in respect to the security interest hereby granted.

(c) Subject to any limitation stated therein or in connection therewith, all information furnished to Secured Party concerning the Collateral and proceeds thereof, or otherwise, for the purpose of obtaining credit or an extension of credit, is, or will be at the time the same is furnished, accurate and correct in all material respects.

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(e) The Collateral is equipment to be used primarily in Debtor's business and is of the type normally used in more than one jurisdiction.

(f) The chief executive office of Debtor is at the address designated at the beginning of this agreement.

(g) Debtor is not a "common carrier", "carrier", or "railroad" as such terms are defined in the Interstate Commerce Act, as amended, and no authorization, consent or permission of, or declaration or filing with, any governmental authority is required for the valid execution and delivery of the Obligations and this agreement or the performance by the Debtor of its obligations thereunder or hereunder.

III.

OTHER COVENANTS AND AGREEMENTS OF DEBTOR

(a) Debtor shall immediately notify Secured Party of any event causing material loss or depreciation in value of the Collateral and the amount of such loss or depreciation.

(b) Debtor will promptly notify Secured Party in writing of any addition to, change in or discontinuance of its place of business as shown in this agreement and the location of the office where it keeps its books and records.

(c) Debtor will not sell, lease or otherwise dispose of the Collateral, or any part thereof, without the express written consent of Secured Party.

(d) Debtor agrees to execute and deliver such financing statement or statements and other documents, or amendments thereof or supplements thereto, or other instruments as Secured Party may from time to time require in order to comply with the Uniform Commercial Code as now or hereafter adopted in the State of Texas (or other applicable state law of the jurisdiction where any of the Collateral is located) and the laws of the United States of America and to preserve and protect the security interest and lien herein granted.

(e) Secured Party may, at its option, either before or after default, but without obligation to the Debtor, discharge taxes, liens or security interests or other encumbrances at any time levied or placed upon the Collateral, and may place and pay for insurance thereon, or pay for the repair, improvement, maintenance and preservation of the Collateral and pay any filing or recording fees necessary to preserve and protect the Secured Party's interest pursuant to the foregoing authorization, and all such amounts shall constitute additional Obligations of the Debtor which shall be secured by and entitled to the benefits of this Security Agreement.

(f) Debtor shall at all reasonable times allow Secured Party by or through any of its officers, agents, attorneys or accountants, to examine or inspect the Collateral wherever located. Debtor shall do, make, execute and deliver all such additional and further acts, things, deeds, insurances, instruments as Secured Party may require to more completely vest in and assure to Secured Party its rights hereunder and in or to the Collateral.

(g) Debtor shall have and maintain insurance at all times with respect to all tangible Collateral covered hereby insuring against risks of fire (including so-called extended coverage), theft and other risks as

Secured Party may require reasonably, containing such terms, in such form and amounts and written by such companies as may be reasonably satisfactory to Secured Party, all of such insurance to contain loss payable clauses in favor of Secured Party as its interest may appear. All policies of insurance shall provide for ten (10) days written minimum cancellation notice to Secured Party and, at request of Secured Party, shall be delivered to and held by it. Secured Party is hereby authorized to act as attorney for Debtor in obtaining, adjusting, settling and cancelling such insurance and endorsing any drafts or instruments. Secured Party shall be authorized to apply the proceeds from any insurance to the Obligations secured hereby whether or not such Obligations are then due and payable.

(h) Debtor will keep and maintain the Collateral in good condition and will make replacements in kind, or by parts of substantially equal value and service, and all replacements and substitutions shall be covered by the security interest and lien herein granted to Secured Party, and Debtor will maintain such Collateral at its present worth, ordinary wear and tear alone excepted.

(i) Debtor agrees that Secured Party shall have no duty or obligation to take any action to preserve or protect the Collateral.

IV.

DEFAULT AND REMEDIES

(a) Debtor shall be in default under this Security Agreement upon the happening of any of the following events or conditions (herein sometimes called an "Event of Default"): (i) failure of Debtor to pay when due any interest on or any principal or installment of principal of any of the Obligations of Debtor to Secured Party; (ii) the occurrence of any event which under the terms of any evidence of indebtedness, indenture, loan agreement, security agreement or similar instrument permits the acceleration of maturity of any indebtedness of Debtor to Secured Party or to others than Secured Party; (iii) any representation or warranty made by Debtor herein or made in any statement or certificate furnished to Secured Party by the Debtor pursuant hereto or in connection with any loan or loans proves incorrect in any material respect as of the date of the making or issuance thereof; (iv) default occurs in the observance or performance by Debtor of any provision of this agreement or of any note, assignment or other document executed pursuant hereto, contemplated hereby, or described herein; or (v) the dissolution, termination of existence, insolvency or business failure of the Debtor, or the application for the appointment of a receiver of any part of the property of the Debtor, or the commencement by or against the Debtor of any proceeding under any bankruptcy, arrangement, reorganization, insolvency or similar law for the relief of debtors, or by or against any guarantor or surety

for the Debtor, or upon the service of any warrant, attachment, levy or similar process in relation to a judgment, tax lien or assessment.

(b) Upon the occurrence of an Event of Default, and at any time thereafter, Secured Party, may, at its option and without notice or demand to the Debtor, declare all of the Obligations secured hereby immediately due and payable and Secured Party thereupon shall have the rights and remedies granted herein as well as all the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of Texas, including, without limitation, the right to sell, lease or otherwise dispose of any or all of the Collateral and to apply the proceeds thereof toward payment of any costs and expenses and attorney's fees and legal expenses thereby incurred by the Secured Party and toward payment of the Obligations in such order or manner as the Secured Party may elect. Secured Party shall have the right to take immediate possession of the Collateral, with or without process of law, and for that purpose Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will send Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any public sale or other disposition thereof is to be made. The requirement of sending a reasonable notice shall be met if such notice is mailed, postage prepaid, to Debtor at the address designated at the beginning of this agreement at least ten days before the time of any public sale or the time after which any private sale or other disposition will be held. Expenses of retaking, holding, repairing, improving, maintaining, preparing for sale, selling or the like shall include Secured Party's reasonable attorneys' fees and legal expenses, plus interest thereon until paid at a rate per annum at all times equal to the highest rate permitted by applicable law of the State of Texas to be contracted for by, charged to or received from Debtor, and shall constitute additional Obligations of Debtor which shall be due on demand and which shall be secured by and entitled to the benefits of this Security Agreement. If the proceeds of any sale or other lawful disposition by Secured Party of the Collateral following its retaking are insufficient to pay the expenses of retaking, repairing, holding, preparing the Collateral for sale, selling it and the like and satisfy the Obligations of Debtor to Secured Party, then Debtor agrees to pay any deficiency, but Debtor shall be entitled to any surplus remaining after lawful application of all of such proceeds.

(c) Secured Party may remedy any default and may waive any default without waiving the default remedied or without waiving any other prior or subsequent default.

(d) It is the intention of the partes hereto to comply with the usury laws of the State of Texas; accordingly, it is agreed that notwithstanding any provisions to the contrary in this agreement, or in any of the documents evidencing the Obligations secured hereby or otherwise relating hereto, in no event shall this agreement or such documents require the payment or permit the collection of interest in excess of the maximum amount permitted by such laws. If any such excess of interest otherwise would be contracted for, charged or received, under this agreement or under the terms of any of the documents evidencing the Obligations secured hereby or otherwise relating hereto, or in the event the maturity of the indebtedness evidenced by the Obligations is accelerated in whole or in part, or in the event that all or part of the principal or interest of the Obligations shall be prepaid, so that under any of such circumstances the amount of interest contracted for, charged or received under this agreement or under any of the instruments evidencing the Obligations secured hereby or otherwise relating hereto on the amount of principal actually outstanding from time to time under the Obligations otherwise would exceed the maximum amount of interest permitted by the usury laws of the State of Texas, then in any such event (a) the provisions of this paragraph shall govern and control, (b) neither the Debtor nor any other person or entity now or hereafter liable for the payment of the Obligations would be obligated to pay the amount of such interest to the extent that it would be in excess of the maximum amount of interest permitted by the usury laws of the State of Texas, (c) any such excess which might have been collected would be either applied as a credit against the then unpaid principal amount hereof or refunded to Debtor, at the holder's option, and (d) the effective rate of interest would be reduced automatically to the maximum lawful rate allowed to be contracted for by, charged to or received from such person under the usury laws of the State of Texas as now or hereafter construed by the courts having jurisdiction thereof. It is further agreed that without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received under this agreement or under such other documents which are made for the purpose of determining whether such rate would exceed the maximum lawful rate, shall be made, to the extent permitted by the laws of the State of Texas, by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan or loan evidenced by the Obligations, hereby, all interest at any time contracted for, charged or received from Debtor or otherwise by the Secured Party in connection with such loan or loans.

(e) The remedies of Secured Party hereunder are cumulative, and the exercise of any one or more of the remedies provided herein shall not be construed as a waiver of any of the other remedies of Secured Party.

V.

GENERAL

(a) Any provision hereof found to be invalid under the law of the State of Texas, the United States of America or any other state having jurisdiction shall be invalid only with respect to the offending provision. This agreement shall be binding upon the successors and assigns of the parties hereto, but shall inure to the benefit of successors or assigns of the Secured Party only. The laws of the State of Texas shall apply to this agreement and its construction and interpretation.

(b) Any carbon, photographic or other reproduction of any financing statement signed by Debtor is sufficient as a financing statement for all purposes, including, without limitation, filing in any state pursuant to the provisions of the Uniform Commercial Code.

(c) Debtor agrees to pay in full all reasonable expenses, including reasonable legal expenses and attorneys' fees, of the Secured Party have been or may be incurred by the Secured Party in connection with the preparation of this agreement, the Obligations secured hereby, the collection of any of the Obligations secured hereby, the enforcement of any of Debtor's obligations hereunder and under any document executed in connection with the granting of security for the payment of any of the Obligations secured hereby, and the recording and filing and re-recording and re-filing of any such document.

(d) The security interest hereby granted and all the terms and provisions hereof shall be deemed a continuing security agreement and shall continue in full force and effect, and all the terms and provisions hereof shall remain effective as between the parties, until first to occur of the following: (i) the expiration of four (4) years from the date of payment of the last of the Obligations to Secured Party; or (ii) repayment by Debtor of all Obligations secured hereby and the giving by Debtor of ten (10) days written notice of revocation of the terms and provisions hereof.

SIGNED in multiple original counterparts and delivered on March 23rd, 1978.

ATTEST:

Secretary

MCDONOUGH BROTHERS, INCORPORATED

By

Title:

"Debtor"

UNIVERSITY NATIONAL BANK

By

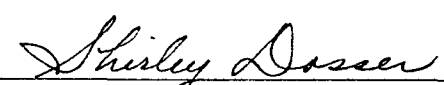

David J. Smiser, President

"Secured Party"

THE STATE OF TEXAS §
§
COUNTY OF BEXAR §

BEFORE ME, the undersigned authority, on this day personally appeared G. W. Worth, Jr., Vice Pres. of McDONOUGH BROTHERS, INCORPORATED, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said McDONOUGH BROTHERS, INCORPORATED, a Texas corporation, and that he executed the same as the act of said corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 23rd day of March, 1978.



Notary Public in and for
Bexar County, Texas

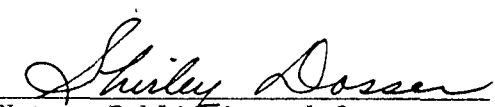
SHIRLEY DOSSER

Notary Public, Bexar County, Texas

THE STATE OF TEXAS §
§
COUNTY OF BEXAR §

BEFORE ME, the undersigned authority, on this day personally appeared DAVID J. SMISER, President of UNIVERSITY NATIONAL BANK, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said UNIVERSITY NATIONAL BANK, a national banking association, and that he executed the same as the act of said national banking association for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 23rd day of March, 1978.



Notary Public in and for
Bexar County, Texas

SHIRLEY DOSSER

Notary Public, Bexar County, Texas